MODERATING ATTITUDE ON GOOD GOVERNANCE IMPLEMENTATION ON PERFORMANCE OF BATAM CITY REGIONAL WORK UNIT (SKPD) USING PARTIAL LEAST SQUARE (PLS)

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ABSTRACT

The relationship between principals and agents in bureaucratic institutions can still run well if the environment is stable. The preparation of budget planning, implementation, monitoring, evaluation and reporting in the form of a budget realization report can be viewed as a performance by implementing the principles of good governance. The research objective is to analyze the factors that influence the leadership in managing the organization they lead and processes in the form of governance to achieve optimal performance. The results of the study indicate that moderating attitudes towards the implementation of good governance are models that are fit based on the values of R^2, Q^2. The attitude that moderates the implementation of good governance has a strong and dominant influence on performance. Performance of SKPD affected by the implementation of good governance, organizational commitment and ethical leadership and influenced by the attitude of the good governance. Implementation of good governance can have a more meaningful influence on organizational performance through the role of moderating variable attitudes. Attitude interaction and implementation of good governance have a dominant influence on performance. These results can contribute to policy makers related to SKPD leaders.

Key words: Attitude, Good Governance Implementation, Performance, Moderating, PLS

1. INTRODUCTION

Sector public regarded as a barrier to economic and social development for many to avoid waste and inefficiency. This is related to the *social responsibility* of public sector agents, especially the government, for the welfare of various parties, namely the wider community as principals. This obligation arises because of the separation between the owner of a resource (principal) and the manager (*agent*) of the resource. The relationship between the principal and the agent in the bureaucratic institution can still run well if the environment is stable, the task is relatively simple, each customer wants the same service and the quality of performance is not worrying, the traditional government bureaucracy is able to do the work (Osborne *and* Gaebler, 1995).

Changes in the management of public sector organizations started from advanced industrial countries by adopting the New Public Management (NPM) and reinventing government approach in the 1980s. This approach is expected to improve the performance of the public sector by adopting several management practices and techniques applied in the private sector such as market mechanisms, tender competition and privatization of public companies.

Decentralized government systems will also affect financial management, both at the central and regional levels. In connection with the performance accountability of government agencies, especially the financial sector, it will be related to the management of the APBD of the agencies concerned. Therefore, it is necessary to implement accountability procedures, namely through Government Accounting in the context of implementing good governance. Therefore, the government should be the subject of information giving through the presentation of financial statements in order to fulfill public rights (Halim, 2002; Mangkoedihardjo, 2010) related to the management of public funds, especially those related to the Regional Budget. The public rights include: the *right to know,* the *right to be informed* and the right to be heard of *(right to be heard and to be listened to).*

The preparation of the APBD and the budget of each SKPD must be based on activities and measurable known as performance-based budgets. A budget is a financial plan that systematically shows the allocation of human, material and other resources to achieve organizational goals (BPKP, 2005). Therefore, the realization of the budget can be used to show the performance of the organization in an effort to achieve the targets set in the budget. The Batam City Government sets out its strategic plan in the Regional Long-Term Development Plan (RPJPD) for the next five years, 2011-2016, including the direction of regional financial policies, improvement of Office Administration, Improvement of Office Facilities and infrastructure, and apparatus development.

This regional financial policy is expressed in the form of a budget. The budget shows activities that are directed towards organizational goals (Suhartono and Solichin, 2006). This is a form of SKPD compliance with governance practices with principles of accountability, transparency and participation in resource management. This information is useful for decision making and policy making by considering proposals and inputs to implement government openness.

Various parties have an interest in financial reports and performance reports for various purposes, one form of accountability mechanisms and will be used as material for decision making.

The performance of an accounting process by implementing the principles of *good governance, and* also often used to refer to the achievement or level of success of individuals and groups of individuals. Therefore, the realization of the budget as planned can be

interpreted as a performance-based budget achievement by *SKPD* in the Batam City Government (Mahsun and Purwanugraha, 2007)

Factors that really determine the realization of the budget in accordance with budget planning are human resource factors. S umber of human resources is a major key to the sustainability of an organization (Suprihanto et al., 2002) including government organizations. As is known that government organizations are organizations that have a tiered structure, where each level has basic tasks and functions that play an important role in organizational performance. However, overall responsibility remains with the leadership of the entity in this case the Head of the Agency / Agency / Bureau / Hospital in the Batam City Government.

Realization of the budget in each *SKPD* as a benchmark for *SKPD* performance is inseparable from commitment, (Shore *and* Wayne, 1993) Ethical leadership (Shacklock *et.al.* 2006) and attitudes towards *good governance* (Punyaratabandhu, 2008) *SKPD* leaders, as those responsible for resource use. The implementation of organizational governance practices based on the principles of *good governance* is a change in the administration of administration. This change in organizational knowledge according to Winardi (2005) required an agent of change *(a change agent)* carried out by a leader in an institution. This will be achieved through hard work and efforts of leaders who have commitment, ethical leadership and attitudes towards *good governance* that are in accordance with the needs of these changes and are expected to achieve organizational performance that meets the expectations of *stakeholders.*

Commitment concerns mental attitudes which are reflected in one's behavior. Commitment is the starting point in growing a sense of ownership. Commitments that include affective commitment, continuous commitment and normative commitment are psychological tools to achieve all organizational goals (McCutcheon, 2008; Samudro et al., 2006; Samudro et al., 2011). Organizational commitment is an attitude that reflects feelings of liking or disliking the organization of work. This is necessary because government organizations have high relationship characteristics and low task orientation (Klenke, 2007). Leadership is the behavior of an individual who leads the activities of a group to a goal that is achieved together. Ethical Leadership according to (Pickett, 2001), leadership activities are influencing and changing the behavior of subordinates by giving examples of ideal or charismatic behavior, providing inspiration, giving intellectual stimuli, paying attention to each individual subordinate, serving and paying attention to the development of each subordinate.

In this study principals are stakeholders, and agents are *SKPD* leaders in the Batam City environment. However, it was found that the *SKPD* performance indicators had not been fully achieved. Based on this, this study is directed at examining the influence of organizational commitment, *ethical* leadership and attitudes towards *good governance* on the implementation of *good governance* and the performance of *SKPD* in the Batam City Government. This is considering that the realization of the budget in each SKPD as a benchmark for *SKPD* performance is inseparable from the influence of the process in the form of governance (Lecker *et. al,* 2007), and human factors, especially leaders which include organizational commitment (Yongsoo Kwon; 2002) and *ethical* leadership (Khuntia and Suar: 2004). Furthermore, the implementation of *good governance is* determined by organizational leaders, namely SKPD leaders, both concerning commitment (Romzek, 1990), *ethical* leadership (Shacklock *et.al,* 2006) and attitudes towards *good governance* (Punyaratabandhu, 2008), as those responsible for the use of resources stated in budget planning.

Methods related to latent variables namely Confirmatory Factor Analysis (CFA) (Brown, 2006, N. Rusdi et. al., 2014)) and Structural Equation Modeling (SEM) (Mulaik, 2009; Raykov & Marcoulides, 2006; Hair et. al., 2006; Bollen, 1989). Research related to SEM,

among others: Rumengan et.al., (2018), in business performance through competitive advantege. While relating to SEM moderation, among others: Rumengan et.al., (2018) who the management information system with total quality management of study program performance; Wibisono et.al, (2018), Management information system as a moderating variable Total Quality Management provides a strengthening effect on performance. Dominant influenced the Total Quality Management organizational culture and subsequently affect the study program performance.

Th aims research to analyze the factors that influence the leadership in managing the organization he leads and the process in the form of governance to achieve optimal performance. The factors that influence the leadership in managing the organization they lead include: organizational commitment, ethical leadership and attitude towards *good governance,* the next one influences the process in the form of good governance practices to achieve optimal SKPD performance within the Batam City Government.

2. METHODOLOGY

The data used in this study are primary data from the results of the SKPD survey in Batam City with the SKPD leadership analysis unit. The method used is survey method with simple random sampling technique for data retrieval. In addition, interviews and observations were also carried out to complete the data needed. Framework conceptually consists of three exogenous variables, namely organizational commitment (X1), ethical leadership (X2), and the attitude towards good governance (Z); one intervening variable, good governance (Y1); and one endogenous variable, namely the performance of SKPD (Y2). These variables are latent variables, namely variables that are not measurable, so the measurement uses indicators.

The stages of analysis carried out in achieving the research objectives are as follows.

- Evaluation of the measurement model, namely validity and reliability. V Convergent alidity is used to determine the correlation between each indicator and its latent variables by looking at the value of the standardize loading factor that is greater than 0.5 is declared valid (Brown, 2006; Hair et.al., 2006). Composite reliability is a block of indicators that measures a construct and can be evaluated by internal consistency measures, if the coefficient value of a latent variable is greater than 0.7 then it is said to be reliable (N Rusdi, et.al, 2014).

- Evaluation of structural models, namely moderating Structural Equation Modeling (MSEM). A method that can be used to assess moderating influences, one of which is the Interaction method. The Interaction Method has two stages, namely (Wibisono et.al., 2018):

The first stage

- Make estimates without entering the interaction variable, which is estimating the model with two exogenous variables X1, X2 and the moderating variable Z and the intervening variable Y1 used to predict the endogenous variable Y2 with the path scheme.

- Testing the Z parameter coefficient against Y2, if significant, then proceed to the Second Stage.

Second Stage

- Make estimates by entering the interaction variable (ZY1), which is estimating the model with two exogenous variables X1, X2 and moderating variables Z, ZY1 and the intervening variable Y1 used to predict the endogenous variable Y2 with the path scheme (Anekawati et.al., 2017; Rodliyah et. al., 2017))

3. RESULTS AND DISCUSSION

Measurement model consists of validity test and reliability test. Validity test was carried out by using confirmatory factor analysis on each latent variable namely organizational commitment, ethical leadership, attitude, implementation of *good governance*, and organizational performance through the SmartPLS program, in the *bootstrap* sample (B = 500). The following is presented in detail the loading test (coefficient) on each indicator with a *bootstrap* sample.

Table 1 Test Indicator Validity of Latent Variables with Bootstrap Samples

Latent Variables and Indicators	Bootstrapping, B = 500				Composite Reliability (CR)
	original sample estimate	mean of subsamples	Standard deviation	T-Statistic	
Organizational commitment (X1)					
proud part of the organization (X1.1)	0.678	0.675	0.044	15.376	0.751
has an emotional connection with the organization (X1.2)	0.712	0.722	0.049	14.623	
feel as a moral obligation expected by the organization (X1.3)	0.734	0.718	0.026	28.139	
Ethical leadership (X2)					
train and provide consultation (X2.1)	0.849	0.847	0.019	45.846	0.818
communicate and specify the organizational goals to be achieved in the future (X2.2)	0.812	0.813	0.014	56.176	
put yourself in the front position for solving difficulties in the organization(X2.3)	0.654	0.656	0.048	13.598	
Attitude (Z)					
Accountability is needed in implementing good governance practices on SKPD (Z1.1)	0.728	0.713	0.037	19.445	0.814
feel it is important to be accountable for each program of activities that have been carried out by SKPD (Z1.2)	0.807	0.813	0.021	38.906	
sincerely accountable for each program of activities carried out by SKPD (Z1.3)	0.745	0.747	0.047	15.825	
Implementation of Good Governance(Y1)					0.804
SKPD informs the budget for stakeholders(Y1.1)	0.728	0.731	0.048	15.049	

SKPD presents financial statements (Y1.2)	0.639	0.630	0.059	10.779	
Expenditures made by SKPD are audited by the Inspectorate (Y1.3)	0.926	0.920	0.026	35.174	
Organizational Performance (Y2)					
The level of conformity between the results achieved with the SKPD Strategic Plan (Y2.1)	0.799	0.798	0.017	46.460	
The strategy to achieve the results of the SKPD activities that I lead has been in accordance with the main tasks and functions of the SKPD contained in the Regional Regulation (Y2.2)	0.859	0.860	0.010	82.679	0.879
The SKPD performance indicator size that I lead is in accordance with what is stated in the Strategic Plan (Y2.3)	0.767	0.766	0.022	35.427	
Level of absorption of SKPD budget(Y2.4)	0.714	0.716	0.035	20.539	
The amount of adequacy of the managed budget (Y2.5)	0.706	0.708	0.019	36.970	

Based on Table 1, it turns out that all the indicators on each latent variable give the T Statistics value with a bootstrap sample (B = 500) greater than 1.96, so it is said that these indicators are valid and significant. Next in Table 2 too give Composite reliability value of organizational commitment (0.751), leadership (0.818), attitude (0.814), implementation of good governance (0.804), and organizational performance (0.879) above the cut-off value of 0.7, so that all latent variables are reliable. Organizational commitment (X1) is formed by indicators feeling as moral obligations expected by the organization (X1.3) (0.734), has an emotional connection with the organization (X1.2) (0.712) and proud part of the organization (X1.1) (0.678). Leadership (X2) dominant indicators train and provide consultation (X2.1) (0.849) and communicate and specify the organizational objectives to be achieved in the future (X2.2) (0.812). Attitude (Z) the dominant indicator feels it is important to be accountable for each program of activities carried out by SKPD (Z1.2) (0.807) and truly take responsibility for each program of activities that have been carried out by SKPD (Z1.3) (0.745). Implementation of good governance (Y1) with dominant indicators Expenditures made by SKPD are audited by the Inspectorate (Y1.3) (0.926) andSKPD informs the budget for stakeholders (Y1.1) (0.728). Organizational performance is formed by indicators Strategy to achieve results from SKPD activities that I lead in accordance with the main tasks and functions of the SKPD contained in the Regional Regulation (Y2.2) (0.859), The degree of conformity between the results achieved with SKPD Renstra (Y2.1) (0.799), the SKPD performance indicator size that I lead is in accordance with what is stated in the Strategic Plan (Y2.3) (0.767), Level of absorption of the SKPD budget (Y2.4) (0.714) and the amount of adequacy of the managed budget (Y2.5) (0.706). The path coefficient testing is presented in the following Table 2.

Table 2 Statistics Path Model X1, X2 Coefficient Test Against Y2 Through Y1 with Z as Moderator Stage 1

	original sample estimate	mean of subsamples	Standard deviation	T-Statistic
Organizational commitment (X1) →Implementation of Good Governance (Y1)	0.258	0.255	0.066	3.900
Ethical leadership (X2) → Implementation of Good Governance (Y1)	0.299	300	0.062	4.836
Organizational commitment (X1) →Organizational Performance (Y2)	0.348	0.348	0.033	10.609
Ethical leadership (X2) → Organizational Performance (Y2)	0.246	0.246	0.028	8.630
Implementation of Good Governance (Y1)→ Organizational Performance (Y2)	0.120	0.117	0.042	2.883
Attitude (Z) → Organizational Performance(Y2)	0.088	0.101	0.031	2.801

Based on Table 2, the moderating variable (Attitude (Z)) has a significant and positive effect on organizational performance (Y2). This can be seen from the path coefficient which is positive at 0. 088 with a T-Statistic value of 2.801 which is greater than t-table = 1.96. Thus Attitude (Z) has direct influence on the organization inerja k (Y2) equal to 0.088, which means that every time there is an increase in attitude (Z), it will increase organizational performance (Y2) by 0.088. This shows that attitude (Z) presumably as a moderating variable that is to strengthen the influence of the implementation of good governance on organizational performance (Y2). The Moderating Partial Least Square (MPLS) in Step 2.

The results of the complete model test can be seen from the R-Square Value which describes the *goodness-of-fit* of a model. The recommended R-Square value is greater than zero. The R-square value is shown in Table 3.

Table 3 Goodness of Fit from R-Square Moderating Partial Leastt Square (MPLS) Stage - 2

Exogenous Variables → Endogenous Variables	R-Square
Organizational Commitment (X1), Ethical Leadership (X2) → Implementation of Good Governance (Y1)	0 .198
Organizational Commitment (X1), Ethical Leadership (X2), Attitude (Z), Implementation of Good Governance (Y1), Attitude * Implementation of Good Governance (ZY1) → Organizational Performance (Y2)	0 .341

Table 3 explains that:

- Donations or proportions from the variable Organizational Commitment (X1), Ethical Leadership (X2) in explaining variations around the Implementation of Good Governance (Y1) variable of 0.585.

- Donations or proportions of organizational commitment (X1), ethical leadership (X2), attitude (Z), good governance (Y1), attitude * implementation of good governance (ZY1) in explaining variations around the variable organizational performance (Y2) of 0.859.

The results of all R-square values indicate that all R-square values are greater than zero, meaning that this research model has met the required Goodness of Fit. The value of $Q^2 = 0.994$, meaning that the model moderating organizational performance has high accuracy.

From the appropriate model, each path coefficient can be interpreted. These path coefficients are hypotheses in this study, which can be presented in the following structural equations:

Y1 = 0.258 X1 + 0.299 X2

Y2 = 0.343 X1 + 0.222 X2 + 0.504 Z + 0.541 Y1 + 0.671 ZY1

with,

X1   : Organizational Commitment

X2   : Leadership

Z   : Attitude

Y1   : Implementation of Good Governance

Y2   : Organizational Performance

ZY1   : Interaction of Attitude*Implementation of Good Governance

Testing the path coefficients and the above equations in detail are presented in the following Table 4.

Table 4 Statistics Test Path Coefficient Moderation Model Attitudes on Implementation of Good Governance Against Organizational Performance (Stage 2)

	original sample estimate	mean of subsamples	Standard deviation	T-Statistic
Organizational commitment (X1) → Implementation of Good Governance (Y1)	0.258	0.260	0.024	10.599
Ethical leadership (X2) → Implementation of Good Governance (Y1)	0.299	0.303	0.021	14.517
Organizational commitment (X1) → Organizational Performance (Y2)	0.343	0.346	0.010	33.502
Ethical leadership (X2) → Organizational Performance (Y2)	0.222	0.219	0.012	19.312
Implementation of Good Governance (Y1) → Organizational Performance (Y2)	0.541	0.559	0.169	3.205
Attitude (Z) → Organizational Performance (Y2)	0.504	0.526	0.154	3.265
Attitude * Implementation of Good Governance (ZY1) → Organizational Performance (Y2)	0.671	0.702	0.254	2.643

Based on Table 4, the interpretation of each path coefficient is as follows:

- Organizational commitment (X1) has a significant effect on the Implementation of Good Governance (Y1) with positive direction. This can be seen from the path coefficient marked positive at 0.258 with the t value of Statistics of 10.599 greater than t table = 1.96. Thus, organizational commitment (X1) has a significant effect on the Implementation of Good Governance (Y1). Organizational commitment has an influence on the implementation of good governance, this is in line with studies conducted by Punyaratabandhu, (2004) and Peter McKinlay, (2003) but not in accordance with studies from Owusu (2007) in Ghana. In this study organizational commitment is indicated by three indicators, namely feeling of pride, emotional connection and as a moral obligation of the leaders of the Batam City Government SKPD. These three indicators affect the implementation of good governance according to

changes in the demands of stakeholders in the implementation of the main tasks and functions of each SKPD.

- Ethical leadership (X2) has a significant effect on the Implementation of Good Governance (Y1) with positive direction. This can be seen from the path coefficient which is positive at 0.299 with the t value of Statistics equal to 14.517 greater than t table = 1.96. Thus, ethical leadership (X2) has a significant effect on the implementation of Good Governance (Y1). Ethical leadership influences the implementation of good governance, this study is in accordance with previous studies conducted by Thomas and Velthouse, 1990; Watson et al., 2004; Shacklock, Arthur H. & Lewis, Melea J, 2006 and Juan Llopis, Reyes Gonzales and Jose L. Gasco, 2007. The ethical leadership indicators consist of training and consulting with subordinates, communicating and detailing in a simple way about organizational goals, placing themselves at the forefront in solving organizational difficulties. These three indicators influence the implementation of good governance. All indicators reflect leadership that has high integrity and work ethic as well as behavior that conforms to good ethical and moral standards, so that it influences compliance in the implementation of good governance which includes the principles of accountability, transparency and participation in carrying out the main tasks and functions of the SKPD.

- Organizational commitment (X1) is significant for Organizational Performance (Y2) with positive direction. This can be seen from the path coefficient marked positive at 0.343 with a t value of Statistics of 33.502 greater than t tabel = 1.96. Thus, organizational commitment (X1) has a significant effect on Organizational Performance (Y2). this study supports previous studies conducted by Mathieu and Zajac, 1990; Hackket et.al, 1994; Ketchland & Strawser, 1998; Yongsoo Kwon, 2002; Knights & Kennedy, 2005; Fredberg et al, 2008; Cavalluzzo and Itter, 2003. The indicators used are feelings of pride in being part of the organization, having an emotional connection with the organization and staying within the organization as a moral obligation expected by the organization.

- Ethical leadership (X2) significant effect on Organizational Performance (Y2) with positive direction. This can be seen from the path coefficient marked positive at 0.222 with a t value of Statistics of 19.312 greater than t table = 1.96. Thus, ethical leadership (X2) has a significant effect on Organizational Performance (Y2). This is in line with previous research conducted byGraen, Dansereau, Minami and Cashman, 1986; Meindl and Ehrlich, 1987; Khuntia and Suar, 2004; Taieb Hafsi and Bernard Gauthier, 2003. From the results of this study, it can be interpreted that the changes that occur in the ethical leadership variables are proven to cause significant changes in organizational performance or SKPD. This is possible because the organization within the local government in carrying out its main tasks and functions has been systematic and structured in accordance with laws and regulations.

- Implementation of Good Governance (Y1) significant effect on Organizational Performance (Y2). It is seen from the path marked positive coefficient of 0.541 with a value of t statistics for 3.205 is greater than t table = 1.96. Thus, Implementation of Good Governance (Y1) significantly to Organizational Performance (Y2). This is in accordance with Lawrence D. Brownand Marcus L. Caylor, 2004 and David F. Larcker, Scott A. Richardson, İrem Tuna, 2007. Implementation of Good governance is indicated by informing the budget to be known to stakeholders, SKPD presents financial reports, spending SKPD is audited by the Inspectorate, SKPD that provides services to the public needs to have a service center that specifically serves complaints on SKPD services with easy, fast, affordable and clear procedures and all public complaints on SKPD services followed up have a significant influence on SKPD performance .This means that any changes to the implementation of good governance practices at each SKPD will cause significant changes to organizational performance or SKPD. This means that any changes to the implementation of good governance practices at each SKPD will cause significant changes to the performance of the organization or SKPD.

- Significant (Z) attitude towards Organizational Performance (Y2) with positive direction. This can be seen from the path coefficient marked positive at 0.504 with the t value of Statistic of 3.265 greater than t table = 1.96. Thus Attitude (Z) has a significant effect on Organizational Performance (Y2).

- Attitude (Z) * Implementation of Good Governance (Y1) has a positive and significant effect on Organizational Performance (Y2). This can be seen from the path coefficient marked positive at 0.671 with the T-Statistic value of 2.643 which is greater than t-table = 1.96. Thus Attitude (Z) * Implementation of Good Governance (Y1) directly affects Organizational Performance(Y2) of 0.671, which means that every increase in Attitude (Z) * Total Quality Management (Y1) (Z_Y1) will increase Performance Organization (Y2) at 0.671. Or, Attitude (Z) moderates the Implementation of Good Governance (Y1) which has a significant effect on the performance of lecturers at 0.193. Attitudes towards good governance have an influence on the implementation of good governance, this is in line with studies conducted by Suchitra Punyaratabandhu, 2008 and McCutcheon, 2008. The alignment of SKPD leaders will lead to significant changes in behavior towards the implementation of good governance practices in each SKPD within the Batam City Government. This manifestation of the attitude or good governance of SKPD leaders is realized in the form of a willingness to implement good governance.

4. CONCLUSIONS

Based on this study as a whole it was concluded that the performance of SKPD was influenced by the implementation of good governance, meaning that the better the implementation of good governance, the better the level of achievement of SKPD performance. In addition, the performance of SKPD is directly influenced by organizational commitment and ethical leadership and is influenced by the implementation of good governance. Variable that affect the performance of SKPD variable organizational commitment and implementation of good governance turns variables influence organizational commitment is greater than the implementation of good governance and leadership. Variables for implementing good governance can have a more meaningful influence on organizational performance through the role of moderating variable attitude. Attitude interaction and implementation of good governance have a dominant influence on performance. These results can contribute to policy makers related SKPD leaders. In this case, especially regarding input for decision makers that human resources, especially at the leadership level, are highly dependent on mental attitude, determination, enthusiasm, obedience and discipline of government administrators in determining the implementation of governance and organizational performance. The need to build a positive attitude of the SKPD leadership towards the implementation of good governance, so that it can provide positive motivation for the subordinates for the implementation of good governance.

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